

## Message Text

CONFIDENTIAL

PAGE 01 KINGST 04258 01 OF 02 141815Z

43

ACTION OPIC-12

INFO OCT-01 ARA-16 ISO-00 EB-11 COME-00 AID-20 AGR-20

TRSE-00 XMB-07 IGA-02 L-03 PRS-01 /093 W

----- 004304

R 141730Z DEC 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3575

C O N F I D E N T I A L SECTION 1 OF 2 KINGSTON 4258

E.O. 11652: GDS

TAGS: EGEN, JM

SUBJ: THE ROLE AND ACTIVITIES OF OPIC IN JAMAICA

REF: A. STATE 235464, B. STATE 238441, C. STATE 239335

1. SUMMARY: OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAS EMBARKED ON AN EXTENSIVE CAMPAIGN TO ENCOURAGE AMERICAN INVESTMENT IN JAMAICA. THIS CAMPAIGN RAISES A NUMBER OF FAMILIAR BUT IMPORTANT QUESTIONS INCLUDING THE PROPRIETY OF AN AGENCY OF THE UNITED STATES GOVERNMENT ADVISING INVESTORS TO COME INTO JAMAICA AT A TIME WHEN THE FUTURE INVESTMENT CLIMATE SEEMS UNCERTAIN; THE PROPER ROLE OF OPIC IN JAMAICA; AND WHAT LEVELS AND YPES OF OPIC COVERAGE ABOVE AND BEYOND THE EXISTING ONE HALF BILLION DOLLARS IN THE ALUMINUM INDUSTRY ARE DESIREABLE OR PERMISSIBLE. EMBASSY IS ALSO CONCERNED BY THE DEGREE TO WHICH OPIC'S INVESTMENT PROMOTION PROGRAM WAS COORDINATED WITH OTHER AGENCIES PRIOR TO IMPLEMENTATION. END SUMMARY.

2. THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAS APPARENTLY EMBARKED ON AN EXTENSIVE CAMPAIGN TO ENCOURAGE AMERICAN INVESTMENT IN JAMAICA. THUS FAR THIS PROGRAM HAS INCLUDED: (A) THE SPEECH BY OPIC PRESIDENT MARSHALL T. MAYS BEFORE THE JAMAICA CHAMBER OF COMMERCE IN NEW YORK ON DEC 6, 1973. IN HIS SPEECH, WHICH WAS WIDELY REPORTED HERE, MR. MAYS SPOKE GLOWINGLY OF THE INVESTMENT CLIMATE IN JAMAICA AND EMPHASIZED THE "POLITICAL MATURITY" OF THE JAMAICAN GOVERNMENT. (B) THE CURRENT VISIT TO JAMAICA OF THOMAS S. SEDLER, VICE PRESIDENT OF OPIC FOR PUBLIC

CONFIDENTIAL

PAGE 02 KINGST 04258 01 OF 02 141815Z

AFFAIRS, (REF A& B) TO GATHER INFORMATION AND MATERIAL, FOR

THE PREPARATION OF A BROCHURE TO BE PUBLISHED BY OPIC ENCOURAGING PRIVATE INVESTORS TO INVEST IN JAMAICA. WE UNDERSTAND THAT OPIC PLANS A SERIES OF THESE BROCHURES ON VARIOUS COUNTRIES, BUT THUS FAR ONLY ONE -- ON YUGOSLAVIA -- HAS BEEN PUBLISHED. (C) THE PROPOSAL BY OPIC TO ARRANGE A FORUM IN NEW YORK BETWEEN SENIOR EXECUTIVES OF US AGRIBUSINESS AND JAMAICAN GOVERNMENT DECISION MAKERS AT MINISTERIAL LEVEL (REF C). THIS WOULD BE FOLLOWED BY AN INVESTMENT MISSION IN THE AGRIBUSINESS FIELD WHICH WOULD TRAVEL TO JAMAICA TO EXPLORE INVESTMENT POSSIBILITIES. BOTH THE FORUM AND THE INVESTMENT MISSION WOULD PRESUMABLY BE FINANCED BY OPIC. WE UNDERSTAND A SIMILAR PROGRAM WAS CARRIED OUT IN BRAZIL.

3. OPIC'S ENERGETIC PROGRAM TO ENCOURAGE INVESTMENT IN JAMAICA RAISES A NUMBER OF FAMILIAR, BUT NONETHELESS IMPORTANT, QUESTIONS ONCE AGAIN. THE MOST SIGNIFICANT ARE: (A) IS INCREASED US INVESTMENT IN JAMAICA AT THIS TIME IN THE BEST INTEREST OF THE UNITED STATES? ON THE PLUS SIDE, INCREASED INVESTMENT WOULD BE WELCOMED BY THE GOJ BOTH AS A SIGN OF AMERICAN CONFIDENCE IN THE COUNTRY AND AS A CONTRIBUTION TO JAMAICAN DEVELOPMENT. THE EMPHASIS ON AGRIBUSINESS IN OPIC'S PROPOSED PROGRAM FITS WITH GOJ PRIORITIES, AND ALSO WITH THE DIRECTION IN WHICH OUR AID PROGRAM SEEMS LIKELY TO MOVE. POTENTIAL MINUSES INCLUDE SHORT RUN EFFECTS ON THE US BALANCE OF PAYMENTS AND THE POSSIBLE NEGATIVE IMPACT ON US EMPLOYMENT. (B) SHOULD THE US GOVERNMENT PROPERLY ENCOURAGE US INVESTORS TO PUT MONEY IN JAMAICA AT THIS TIME? FOR THE PAST YEAR OR MORE THERE HAS BEEN CONSIDERABLE UNCERTAINTY ABOUT THE FUTURE INVESTMENT CLIMATE IN JAMAICA. THERE IS, OF COURSE, NO WAY TO TELL TO WHAT EXTENT INVESTMENTS HAVE BEEN WITHHELD BECAUSE OF PESSIMISM OR UNCERTAINTY ABOUT THE FUTURE. THERE IS EVIDENCE THAT SOME FOREIGN AND EVEN JAMAICAN INVESTORS HAVE BEEN DISINVESTING HERE AND MOVING FUNDS ABROAD. ON THE WHOLE IT SEEMS TO BE THE SMALLER RATHER THAN THE LARGER INVESTORS WHO ARE HANGING BACK OR PULLING THEIR MONEY OUT, BUT THE SITUATION IS SUFFICIENTLY DOUBTFUL THAT THE EMBASSY HAS FOLLOWED A POLICY OF NEITHER ENCOURAGING OR DISCOURAGING AMERICAN INVESTORS WHEN QUERIED BY THEM FOR OUR VIEWS. (C) IS IT THE PROPER ROLE OF OPIC TO ENCOURAGE AMERICAN INVESTMENT IN A GIVEN COUNTRY? MR. SEDLER TOLD THE CHARGE THAT IT IS, AND THAT THIS HAS BEEN WIDELY DONE ELSEWHERE. CLEARLY IT WAS THE ORIGINAL INTENT OF CONGRESS TO

CONFIDENTIAL

PAGE 03 KINGST 04258 01 OF 02 141815Z

STIMULATE AMERICAN INVESTMENT IN CERTAIN SELECTED COUNTRIES WHERE IT COULD SUPPLEMENT OR PERHAPS REPLACE AID FUNDS FROM BILATERAL AND MULTILATERAL CHANNELS. ON THE OTHER HAND, WE SEE SOMETHING ANOMALOUS AND PERHAPS EVEN SELF SERVING IN AN INSTITUTION SUCH AS OPIC ENCOURAGING AMERICAN INVESTMENT, WHICH IT WILL THEN PRESUMABLY UNDERWRITE TO A CONSIDERABLE EXTENT. (D) WHAT DEGREE HEWITT

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KINGST 04258 02 OF 02 141848Z

43

ACTION OPIC-12

INFO OCT-01 ARA-16 ISO-00 EB-11 COME-00 AID-20 AGR-20

TRSE-00 XMB-07 IGA-02 L-03 PRS-01 /093 W

----- 004653

R 141800Z DEC 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3576

C O N F I D E N T I A L SECTION 2 OF 2 KINGSTON 4258/2

AND DISTRIBUTION OF OPIC EXPOSURE IN JAMAICA IS DESIREABLE OR PERMISSIBLE? THIS IS THE CRUX OF THE MATTER. AS THE DEPT IS AWARE, OPIC EXPOSURE IN JAMAICA IS NOW OVER 500 MILLION DOLLARS CONCENTRATED IN THE ALUMINUM INDUSTRY. THIS IS NOT ONLY A VERY LARGE SUM IN ABSOLUTE TERMS, BUT IS MORE THAN TWICE THE OPIC EXPOSURE IN THE COUNTRY OF ITS SECOND GREATEST CONCENTRATION, CHILE. MR. SEDLER INFORMS US THAT GROSS OPIC EXPOSURE IS IN THE PROCESS OF BEING REDUCED SOMEWHAT BY MEANS OF REINSURANCE, ETC. HOWEVER, THE TOTAL REDUCTION WILL PROBABLY NOT BE MORE THAN A FRACTION OF CURRENT EXPOSURE. THE GOJ HAS ALREADY ANNOUNCED THAT IT PLANS TO ENTER INTO DISCUSSIONS WITH THE ALUMINUM COMPANIES EARLY NEXT YEAR WITH A VIEW TO ALTERING SOME OF THE CURRENT ARRANGEMENTS. THE GOVERNMENT'S PRECISE GOALS ARE NOT CLEAR, BUT THEY MAY INCLUDE SOME FORM OF EQUITY PARTICIPATION. OPIC ARGUES THAT INCREASED AMERICAN INVESTMENT WITH OPIC INSURANCE COVERAGE WOULD HAVE THE EFFECT OF PROTECTING EXISTING ALUMINUM INVESTMENT AND EXISTING OPIC COVERAGE. BY CONTRIBUTING TO DEVELOPMENT IN AN AREA OF GREAT INTEREST TO THE GOJ, PRESUMABLY THE PROGRAM CARRIES WITH IT BOTH A DEMONSTRATION OF WHAT CAN BE DONE BY FOREIGN INVESTORS AND OPIC WORKING TOGETHER TO BENEFIT JAMAICA, AND THE THREAT OF WHAT MIGHT HAPPEN IN TERMS OF WITHDRAWING OR WITHHOLDING INVESTMENT IF THE GOJ MAKES A MOVE AGAINST THE ALUMINUM COMPANIES. IN FACT, MR. SEDLAR BELIEVES THAT THE ALUMINUM COMPANIES THEMSELVES MIGHT PROVIDE CONSIDERABLE BACKING FOR THE AGRIBUSINESS PROGRAM IF THEY HAD AN ABSOLUTE GUARANTEE THAT THE GOJ WOULD KEEP ITS HANDS OFF THE ALUMINUM INDUSTRY.

4. WE HAVE SOME PROBLEMS WITH THIS ARGUMENT. WHILE "THROWING GOOD  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINGST 04258 02 OF 02 141848Z

MONEY AFTER BAD" IS PERHAPS TOO EXTREME A DESCRIPTION FOR IT, IT IS HARD TO UNDERSTAND WHY CURRENT INVESTMENT IN THE ALUMINUM INDUSTRY NEEDS ADDITIONAL PROTECTION IF THE INVESTMENT CLIMATE IN JAMAICA IS AS GOOD AS OPIC CLAIMS. IF THE CLIMATE IS REALLY NOT THAT GOOD, AND IF THERE IS SOME RISK THAT THE GOVERNMENT MAY SEEK TO FORCE SUBSTANTIAL EQUITY PARTICIPATION IN THE ALUMINUM INDUSTRY ON TERMS UNSATISFACTORY TO THE COMPANIES, IT SEEMS DOUBTFUL THAT A RELATIVELY SMALL AMOUNT OF ADDITIONAL US INVESTMENT BACKED BY OPIC COVERAGE WOULD DISSUADE THEM. IN ADDITION, IT SEEMS UNLIKELY THAT, IN THE WAKE OF THE DE ROULET AFFAIR, ANY RESPONSIBLE OFFICIAL IN JAMAICA WOULD BE WILLING TO ASSOCIATE HIMSELF WITH ANYTHING THAT COULD POSSIBLY BE DESCRIBED AS A "DEAL" WITH THE US DESIGNED TO PROTECT THE ALUMINUM INDUSTRY.

5. APART FROM THE SUBSTANCE OF THESE ISSUES, WE WOULD BE INTERESTED IN LEARNING THE DEGREE OF COORDINATION IN WASHINGTON BETWEEN OPIC AND OTHER AGENCIES PRIOR TO LAUNCHING A PROGRAM TO ENCOURAGE US INVESTMENT IN JAMAICA. MR. MAYS' SPEECH ALSO CAME AS A SURPRISE TO US. OBVIOUSLY THESE ARE MAJOR POLICY AND COORDINATION PROBLEMS WHICH ONLY THE DEPT CAN HANDLE, BUT WE DO NOT REGARD THE PROPOSED PROGRAM AS A ROUTINE MATTER. IT SHOULD BE EMPHASIZED THAT OPIC'S PROPOSAL TO ACTIVELY ENCOURAGE, AND PRESUMABLY UNDERWRITE, ADDITIONAL INVESTMENT IN JAMAICA, WOULD BE ENTHUSIASTICALLY RECEIVED BY THE JAMAICAN GOVERNMENT AND TO THAT EXTENT WOULD IMPACT FAVORABLY ON US-JAMAICAN RELATIONS. OUR CONCERN IS NOT WITH THE POPULARITY IN JAMAICA, OF THE PROPOSALS, BUT WITH ITS WISDOM IN THE LONG RUN.

HEWITT

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGRIBUSINESS, ALUMINUM, FOREIGN RELATIONS, PRIVATE INVESTMENTS, FOREIGN INVESTMENTS, INVESTMENT OPPORTUNITY REPORTS, MINING INDUSTRY, ECONOMIC PROGRAMS, BALANCE OF PAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 DEC 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** hilburpw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973KINGST04258  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** KINGSTON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731225/aaaaasbt.tel  
**Line Count:** 202  
**Locator:** TEXT ON-LINE  
**Office:** ACTION OPIC  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** A. STATE 235464, B. STATE 238441, C.  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** hilburpw  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24-Jan-2002 by boyleja>; APPROVED <31-Jan-2002 by hilburpw>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE ROLE AND ACTIVITIES OF OPIC IN JAMAICA  
**TAGS:** EGEN, JM, US, OPIC  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005